

Future projects on intellectual property
as collateral

Patents as collateral

Steve Weise

steve.weise@hellerehrman.com

Applicable law

- ✓ Review on issue-by-issue basis
- ✓ Possible choices
 - Law of state of registration
 - Law specified in license
 - Law specified in security agreement

Applicable law

- ✓ Creation
- ✓ Effectiveness against third parties
- ✓ Priority
- ✓ Effect on licensor's rights
- ✓ Effect on licensee's rights
- ✓ Enforcement

Possible dislocations of applying different applicable law for patents

- ✓ Transaction costs
- ✓ Systemic costs
- ✓ Costs to parties
- ✓ Costs to third parties
- ✓ Specific costs
 - Determining law of specific states
 - Different rules applying to different parts of transaction

Priority

- ✓ Effect on patent registration system
- ✓ Against another secured party
- ✓ Against a judicial creditor
- ✓ Against a prior licensee
- ✓ Against a subsequent licensee

Possible dislocations of different priority rules for patents

- ✓ Transaction costs
- ✓ Systemic costs
- ✓ Costs to parties
- ✓ Costs to third parties
- ✓ Specific costs
 - Different rules applying to different parts of transaction
 - Greater need for intercreditor agreements

Effect of security interests on third parties

- ✓ Secured party of licensee rights against licensor
- ✓ Secured party of licensor rights against licensee
- ✓ Ability to deal with specialized registration office
- ✓ 'Hell or high water' clauses

Possible dislocations of different rules on third-party rights for patents

- ✓ Transaction costs
- ✓ Systemic costs
- ✓ Costs to parties
- ✓ Costs to third parties
- ✓ Specific costs
 - Counterparties will have to determine different rules

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